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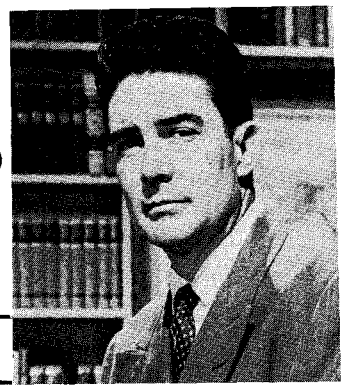

DAN SMOOT

SOCIALIZING AMERICA

In 1957, the Legislative Reference Service of the Library of Congress submitted a report entitled, "Adverse Effects Of The Expanding Activities Of The National Government On The Private Economy And The Federal System: The Case For Free Enterprise And Local Government."[1] The report is 386 pages long, in 9 sections. The 9 articles following are condensations of all 9 sections.[2]

ADVERSE EFFECTS OF HIGH TAXES[2]

From 1952-55, taxes took more than 29% of national income. The federal tax-take is growing almost 6 times as fast as national income. Between 1929 and 1955, national income quadrupled; but federal taxes increased 23-fold. Such tax rates have dangerously decreased the individual's incentive to work, save, and invest. Our economy will not survive if we continue to pile ever heavier tax burdens on people who work hardest to achieve something.

In our growing population, new jobs for an additional one million people are needed every year. For every new job created, someone must invest from $10,000 to $20,000 in plants, tools, equipment, buildings, and so on. Where can private industry get this necessary 10 to 20 billion dollars a year for expansion to meet the new demand?

1. *From the savings of individuals?* High taxes discourage individual savings. If a man works hard and efficiently to make more than a modest living, progressive tax rates penalize him. For example, in 1913-15 a couple earning $10,000 a year paid only $60 in federal taxes. They could accumulate considerable savings to invest in their own business, to lend to banks, or to invest in stocks and bonds of other businesses. In 1956, a couple earning $10,000 paid $1,590 in federal income tax — not to mention a multitude of other federal, state, and local taxes. Their dollars, left after taxes, buy less than half as much as a comparable amount in 1913-15, because high taxes and inflation have cheapened the dollar.

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Moreover, the 1956 couple would have little incentive to economize on comforts and luxuries in order to save, because inflation every year decreases the value of dollars in savings.

If a taxpayer does get into the upper brackets, high progressive taxes (up to 91%) discourage him from putting his money into expansion of business and industry. High taxes encourage him to put his money into tax-exempt state and municipal bonds — a kind of investment which does little to provide new tools, plants, and equipment needed for a million new jobs a year.

2. *Can private industry accumulate from its own profits enough capital to meet its needs for expansion?* High taxes make this impossible, too. In 1955, corporations could keep less than half their profits for re-investment *and* for the payment of dividends to stockholders. Federal taxes took more than half their profits.

3. *Why can't business borrow the money needed for growth?* Giant corporations usually can. Small and new companies do not have the credit. Hence, high taxes discourage the growth of small, independent businesses and favor mammoth corporations. We are doing what Karl Marx predicted in 1848 — destroying private capitalism by destroying the middle class.

ADVERSE EFFECTS OF PUBLIC HOUSING[2]

Public housing began, with PWA, for the purpose of helping the construction industry. The purpose changed. Now, public housing aims to clear slums and provide low-cost housing for low-income families; but public housing projects do not really eliminate slums: they merely spread slum conditions to other parts of a city; and the projects themselves frequently become slums.

Segregating low-income families in public housing projects perpetuates indolence, crime, illegitimacy, and filthy living habits, because, for one thing, it removes the incentive of families to get out of these conditions. Wives quit work and husbands refrain from efforts to earn more money, because, if their earnings go up, they will be making more than some bureaucrat says they can make if they stay in the "project."

A vast and costly federal bureaucracy has grown up to administer the 490,000 low-rent public dwelling units now in existence. Each housing project is a separate pocket of government, dominated by federal rules and regulations, paying no taxes to the local community, and beyond the control of local governments. Yet, local taxpayers must provide all community services — police, fire protection, sewage, schools — that they provide for private housing which pays its share of local taxes.

Public housing never pays for itself. In fact, tenants in public housing do not even pay enough rent to maintain and operate the projects. Local property owners and income taxpayers foot the bill not only for building the projects, but for operating them.

All taxpayers become, in part, slaves (since the meaning of slavery is to be compelled to work for someone else without pay) to subsidize housing for selected families. Many of these families are hand-picked, not for their needs, but for their votes. Public housing tenants become part slaves, because bureaucrats who run public housing have great power over tenants.

Thus, public housing frequently becomes an autocratic, socialistic system in which a few political bureaucrats decide what kind of housing certain groups of people should have — at the expense of all taxpayers in the nation.

ADVERSE EFFECTS OF FEDERAL AID TO EDUCATION[2]

The Constitution makes no mention of education. The Tenth Amendment provides that powers *not delegated* to the federal government are reserved to the states or to the people. Hence, federal activity in the field of education is unconstitutional. Nevertheless, the federal government has already assumed a great number of responsibilities in this field.

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States and communities that could finance their educational problems sometimes do little or nothing, because they want money from the federal government. Thus, federal activity retards the development of educational facilities.

Federal aid to education has helped alter fundamental American attitudes, not only in education, but in all fields — has decreased the self-reliance of people and destroyed the legitimate power and importance of local and state governments.

Federal aid to public schools has encouraged demands for federal aid to private schools. This endangers the principle of separation of church and state.

Despite arguments and claims to the contrary, the federal government does exercise control when it gives aid. This is destroying states rights — and there is no provable need for it.

DETRIMENTAL EFFECTS OF FEDERAL CREDIT AGENCIES[2]

Today, the federal government directly lends $1 for every $5 lent by private banks. Pressure on the government to go deeper into the banking business is great and growing.

The Federal National Mortgage Association, chartered February 10, 1938, does not make housing loans directly, except in Alaska. It buys FHA-insured and Veterans Administration-guaranteed mortgages. On June 30, 1956, FNMA held outstanding mortgages totaling $2.5 billion.

FHA — Federal Housing Administration — insures private mortgages, thus relieving private lenders of major risk.

Veterans Administration guarantees housing-loans, business-loans, and farm-loans which private lenders make to World War II and Korean veterans. It also makes direct home-loans in areas where its guarantees will not stimulate enough private loans.

Public Housing Administration, although not primarily a lending agency, does make loans and grants to help local authorities build public housing projects.

Urban Renewal Administration lends to municipalities for slum clearance. In some cases, URA also guarantees temporary private loans.

Community Facilities Administration lends to colleges, for student and faculty housing and other educational facilities; and it lends to state and local governments, for public works.

Rural Electrification Administration makes loans (about 200 million dollars a year), chiefly to cooperatives, for constructing electrical power facilities, and for the construction and improvement of telephone systems.

Farmers Home Administration, duplicating some of the activities of Commodity Credit Corporation, makes loans to farmers, presumably unable to obtain credit elsewhere.

Farm Credit Administration supervises various governmental lending agencies: Federal Land Banks, Banks for Cooperatives, Federal Intermediate Credit Banks, Production Credit Corporations. These agencies make loans on farm real estate, and loans to farm cooperatives and numerous private farm credit associations.

Small Business Administration makes business-loans and disaster-loans to small businesses.

Maritime Administration insures private construction loans and mortgages on most types of cargo and passenger vessels.

The Export-Import Bank of Washington, established in 1934, makes loans to foreigners to enable them to buy American goods.

International Bank for Reconstruction and Development is an international agency. The United States government is a major stockholder. It makes loans all over the world for various business, trade, industrial, and public works purposes.

Bureau of Indian Affairs makes loans to start Indians in agriculture.

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There are several other federal lending agencies. What are some effects of all this federal activity in the banking business? Government lending agencies, not controlled by need for profit, generally make loans for the purpose of politics or favoritism. Conferring special help or favors upon a particular group or industry or region is, in fact, the official purpose of government lending. Malpractice, corruption, and waste are bound to result.

Government lending stimulated a housing boom after World War II. By the fall of 1955, total home mortgage debt was approximately 86 billion dollars — about 37% underwritten by government. This government-made boom caused skyrocketing costs and prices. Government-financed suburban developments decreased values of urban property, thus causing neglect and poor maintenance with the consequent spreading of slums — together with more demand for federal help to clear the new slums.

Rigid federal regulations, with artificial propping up of ancient building practices, retard technological improvements in the housing industry, prevent rapid development of more efficient techniques, and keep housing costs unreasonably high.

Many federal agencies lend at much lower interest rates than private bankers can afford. Many make unsound loans that private bankers could not touch. This kind of lending is a socialistic subsidy which all taxpayers are forced to pay.

Government lending agencies, tax-free and with tax-supported administrative costs and loss-reserves, compete with private lending agencies which must pay high taxes to support their costly competitors, the government agencies.

Like all other federal assistance, federal lending destroys the sovereignty of the states and the self-reliance of the people. For example, Community Facilities Administration's tax-subsidized interest rates on loans to colleges for housing have virtually eliminated private investors from this field. This is a backdoor approach to federal control of higher education.

DANGERS OF FEDERAL ELECTRIC POWER[2]

In 23 years, the federal government has multiplied its power-generating capacity about 76 times — from 232,000 kilowatts in 1933 to about 17 million in 1956.

Federal electric power is socialism. All taxpayers in the nation are forced to provide electrical power, at less than cost, for regions like the Tennessee Valley and the Pacific Northwest which are dominated by federal power. Socialized power in these regions tends to attract industry away from other regions. Yet, the loss of individual initiative and resourcefulness (which federal paternalism has caused in areas dominated by government-owned power) has actually retarded growth in those areas, despite the fact that some industries have been drawn there by socialized power rates. Compared to the rest of the South, for example, the TVA area is having relatively slow industrial growth.

The public generally — through buying of stocks and bonds, and investments in banks and insurance — owns and controls private power companies. Federal power companies are owned, not by the public, but by government; and they are run by appointed officials virtually beyond the reach of citizens and taxpayers.

THE CASE AGAINST FEDERAL RECLAMATION[2]

It was officially estimated that land reclamation in the Columbia Basin Project would cost about $600 an acre; more than $600 an acre in the Upper Colorado River Storage Project; and up to $1166 an acre in the Fryingpan-Arkansas Project.

Since government estimates are frequently less than half the final costs, it is easy to see that the public is being forced to pay for grandiose, impractical, socialistic schemes of bureaucrats. We are reclaiming land that we do not need, since our farmers already produce more than we consume. Some of the land is unsuitable for crops even after it is "reclaimed" with irrigation. Practically

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all of it costs as much to reclaim as good farm land is worth.

ADVERSE EFFECTS OF GRANTS-IN-AID ON THE FEDERAL SYSTEM[2]

The granting of federal money to state and local governments has increased alarmingly since World War II.

Power accompanies money. As federal money goes into states, so does federal power — undermining the constitutional authority of state and local governments and taking control of the destinies of people. The federal government takes money away from states, then sends back what it thinks states should have. Thus, the federal government becomes the arbiter of who gets what.

The movement of taxing power from state and local governments to Washington is comparatively recent. In 1932, three-fourths of all taxes in America were paid to state and local governments. By 1954, three-fourths of all tax dollars were going to the national government. This sending of our money on a round trip to Washington is absurd, unnecessary, wasteful, and inefficient — and it is building the federal government into a central tyranny that can enslave us.

Federal aid to states is wrong and dangerous in principle, wasteful and inefficient in practice. If we do not stop it, we will destroy our federal system. If this happens, American constitutional government will be dead — and so will freedom.

FOREIGN AID AS A SUBSIDY TO NATIONALIZATION[2]

Foreign governments have used American tax money to pay for socialism. Governments which have refused to permit private American capital in their countries have taken huge amounts of American governmental aid. European countries have decreased public debts and taxes — with American foreign aid which increases our national debt and tax burden.

Foreign governments have built huge, socialistic hydro-electric projects, railroad stations, roads, and other elaborate facilities, with no consideration for practicality, because the total cost was borne by American taxpayers.

ADVERSE EFFECTS OF BUREAUCRACY ON AGRICULTURE[2]

The American farmers' basic problems result from farm policies of the federal government — which, by 1957, had cost taxpayers at least 9 billion dollars.

The government's farm programs have reduced the initiative of farmers, pushing them even further toward the condition of peasantry. The programs have destroyed markets for farm goods and have depressed prices for farm products. They have taken away the farmers' freedom and have saddled a heavy burden on the whole population.

If we do not return to freedom and individualism in agriculture, the federal government will lead us to disaster.

Since 1957

The Library of Congress report (condensed in the 9 articles immediately preceding) shows clearly that freedom shrivels as the central government grows, and that we are on the communist-charted course toward total destruction of the traditional American free-enterprise system. The report says:

"We are proceeding in the direction which Karl Marx in 1848 predicted would be the road to destruction of capitalism, that is, destruction of the middle class with the aid of a highly progressive tax."

That was in 1957. Since then, the government's annual spending has increased 43%; our national debt, 17%.[3]

Communist Manifesto

The *Communist Manifesto,* written by Karl Marx and Frederick Engels and published in

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1848, set out a 10-point plan by which capitalistic economies could be destroyed and replaced with socialism.[4]

The first point in the *Communist Manifesto*: *Abolition of property in land and application of all rents of land to public purposes.* Today, the federal government owns 772 million acres of land — more than one-third of all land in the Continental United States and in Alaska and Hawaii; and the Kennedy administration is spending vast sums of tax money to enlarge the federal land hoard.

What *will* the government do with the land? There is an inkling of an answer in a United Press International news-story from Washington, published in the July 9, 1961, issue of *The Dallas Times Herald*:

"Secretary of the Interior Stewart L. Udall is concerned that federal lands may be blocking growth and industrialization of metropolitan areas.

"He has sent Congress proposed legislation which would, among other things, allow the Interior Department to lay out and subdivide federal lands in he path of expanding areas.

"These lands would be made available for direct sale or lease as individual sites or lots . . . .

"In all cases, lands to be developed would be governed by a comprehensive land use plan to be worked out in close cooperation with state and local government agencies. Nonconforming and substandard land uses would not be permitted. Performance bonds might be required in some cases."

There are the language and the thinking of the zoners and planners of other people's lives. If the government can acquire the land and then permit it to be developed only within conformity to the taste and specifications of the Washington bureaucracy, we can have the stark, monolithic ugliness of standardized governmental planning on a national scale.

This is a sly, backdoor approach to metropolitan government in the United States — a socialist plan to divide the nation into a score of metropolitan regions which sprawl across forgotten state boundary lines, and which would be governed by appointed experts answerable, not to local citizens, but to the supreme political power in Washington.

Where did such a socialist plan originate? Read point nine in the *Communist Manifesto*: *Combination of agriculture with manufacturing industries; gradual abolition of the distinction between town and country, by a more equable distribution of population over the country.*

Urban Renewal, public housing, and the federal highway program are effectively promoting the plan to dispossess private individuals of their land holdings, transferring ownership either to some agency of government, or to other private individuals who will use the land in conformity with the specifications and controls of officialdom. Agriculture and manufacturing will be combined, the federal government controlling all segments of labor, distributing workers according to a pattern determined by Washington experts.

This month, the President's Appalachian Regional Commission formally proposed that the federal government coordinate economic planning for areas of 10 states in the Appalachian region; that it create local development groups and acquire land for them by use of eminent domain, if necessary, and guarantee their bonds; that it purchase half interest in local cooperatives to acquire private timber lands and consolidate them into large timber-producing and product-manufacturing co-ops; that it relocate rural families into urban centers; that it transform the economy of the whole region through grants and controls.[6]

In the light of this Appalachian scheme, and the land-use plan outlined by Secretary of the Interior Udall (quoted above), re-read Point 9 of the *Communist Manifesto* (quoted above), and also read Points 7 and 8 of the *Manifesto*. Point 7: *Extension of factories and instruments of production owned by the State, the bringing into cultivation of waste lands, and the improvement of the soil generally in accordance with a common plan;* Point 8: *Equal liability of all to labor. Establish-*

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ment of industrial armies, especially for agriculture.

Point 2 of the *Communist Manifesto*: *A heavy progressive or graduate income tax.* Re-read "Adverse Effects of High Taxes," beginning on Page 369 of this *Report.*

Point 3 of the *Communist Manifesto*: *Abolition of all right of inheritance.* Consider the death taxes imposed by the federal government — and by some state governments.

Point 5 of the *Communist Manifesto*: *Centralization of credit in the hands of the State, by means of a national bank with State capital and an exclusive monopoly.* Re-read "Detrimental Effects of Federal Credit Agencies," beginning on Page 371 of this *Report.*

Point 6 of the *Communist Manifesto*: *Centralization of the means of communication and transport in the hands of the State.* Today, three major means of transport — shipping, railroads, and airlines — are under such heavy subsidies and controls by federal agencies (and so dominated by unions enjoying special favoritism of federal laws) that they must eventually become mere branches of the federal government. The Rural Electrification Administration's activities in financing telephone cooperatives, and the Federal Communications Commission's activities in all fields of communications, are making the communications industry a tool of the federal bureaucracy.

Point 4 of the *Communist Manifesto*: *Confiscation of the property of all emigrants and rebels.* Point 10: *Free education for all children in public schools . . . .*[4]

Do They Know?

In the November 4 issue of this *Report,* we reprinted an article by Constantine Brown, setting out information from a former communist official to the effect that Khrushchev, in pushing the communist program of world conquest, expects help, not opposition, from the United States Government. In the November 11 and 18 issues, we reported information to show that communism and socialism are the same, and to explain why there is close affinity between socialism and liberalism in the United States. In the present *Report,* we have tried to indicate how far we have already moved toward a socialist society.

The question remains: do liberal leaders who foster federal programs that are socializing our nation fully realize what they are doing? Some of them may. During a conversation with Joseph Stalin at Yalta on February 7, 1945, President Franklin D. Roosevelt — according to official notes made by Charles Bohlen:

" . . . mentioned that in the Soviet Union and its various republics consideration had been given to the problem of a country as a whole, and in the United States the TVA had the same idea. He mentioned that in the region of the TVA electric current was sold at the same price throughout the area . . . ."

What To Do

We can never stop our elected and appointed federal officials from plundering us and destroying our Republic until we repeal the income tax amendment and take the excess money away from them. Before this can be done, we must elect a Congress dedicated to constitutional government.

Christmas Orders

This year, we have offered a special Christmas price on Bound Volume VIII. This Volume contains all *Reports* published in 1962 — not 1963. The 1963 annual will be Bound Volume IX, available in February, 1964, and not subject to our Christmas discount.

Again, thanks to all who have already done their Christmas shopping with us. If you need more Christmas order forms, please let us know.

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FOOTNOTES

(1) Dr. Ernest S. Griffith, Director of the Legislative Reference Service, wrote a preface to the Library of Congress report, saying:

"In these chapters the Legislative Reference Service has responded to the specific request made originally by Congressman Ralph W. Gwinn, who was later joined by sixteen other Congressmen, to bring together available data, along with the opinions and arguments of authorities and commentators, as to the adverse effects of Governmental activity on the operation of the private enterprise economy and the Federal system . . . .

"The chapters deal with a key problem in the development of our country—the numerous examples of governmental centralized activity in an increasing number of spheres and areas of our economic and social life. They marshal evidence as to hazards and pitfalls of such activities; their threats to traditional and beneficial American ways; the restrictions upon and the narrowing of, the sphere of individual freedom.

"It is important also to state clearly what this study is not. It does not deal with the reasons—alleged or historical—which have given rise to more and more numerous and more and more intimate forms of governmental activity in the American economy. It does not deal specifically with the germinal or accessory effects of war and the large-scale defense efforts of our time. It is not a report covering all the aspects of governmental impact on the economy. While every precaution was taken to assure the accuracy of the data included, no claim is made that these data are complete or that they may not be countered by arguments presented from other points of view.

"The extent of treatment and the focus of attention of the various chapters were determined not by us but by the specific questions raised by the inquirers. As a result, labor economics, labor relations and social security are not dealt with at all, while foreign trade, taxation and agriculture are treated less extensively than reclamation, power development and governmental lending activities and housing.

"This report does not expressly or by implication present the opinions of the Legislative Reference Service as to the merits or demerits of the legislation underlying the questions asked."

(2) The condensations herein presented are briefs of a 35,000-word condensation of the Library of Congress Report, published in September, 1957, by *Nation's Business,* 1615 H Street, N.W., Washington, D. C. 20006

(3) In the 1957 fiscal year, the budgeted expenditures of the federal government totaled 68 billion, 966 million dollars; and our official national debt was 270 billion, 527 million dollars. For the fiscal year ending June 30, 1964, the budgeted expenditures of the federal government will total 98 billion, 802 million dollars; and our national debt will be 315 billion, 604 million dollars. *The Budget in Brief,* 1964 *Fiscal Year,* Bureau of the Budget, January 17, 1963. p. 62

(4) *Communist Manifesto,* by Karl Marx, with "Introduction" by Stefan F. Possony, Gateway Edition, Henry Regnery Company, 14 East Jackson Blvd., Chicago 4, Illinois, price 65c, pp. 36-7

(5) For details of federal land acquisition, see this *Report,* "Confiscating The Land," July 29, 1963; "Value of Federal Property Exceeds Amount of U. S. Debt, Report Says," by Kim Willenson, *The Washington Post,* January 16, 1963

(6) "Appalachian Area Agency That Could Sell Bond Issues, Back Development Units Discussed by Federal Officials," by Richard F. Janssen, *The Wall Street Journal,* November 13, 1963, p. 10

(7) "Mr. Bohlen's Minutes of Meetings at Yalta," *U. S. News & World Report,* March 25, 1955, p. 146

WHO IS DAN SMOOT?

Born in Missouri, reared in Texas, Dan Smoot went to SMU in Dallas, getting BA and MA degrees in 1938 and 1940. In 1941, he joined the faculty at Harvard as a Teach ing Fellow in English, doing graduate work for a doctorate in American Civilization.

In 1942, he left Harvard and joined the FBI. As an FBI Agent, he worked for three and a half years on communist investigations in the industrial Midwest; two years as an administrative assistant to J. Edgar Hoover on FBI headquarters staff in Washington; and almost four years on general FBI cases in various parts of the nation.

In 1951, Smoot resigned from the FBI and helped start Facts Forum. On Facts Forum radio and television programs, Smoot spoke to a national audience, giving *both* sides of controversial issues.

In July, 1955, he resigned and started his present independent publishing and broadcasting business — a free-enterprise operation financed entirely by profits from sales: sales of *The Dan Smoot Report,* a weekly magazine; and sales of a weekly news-analysis broadcast, to business firms, for use on radio and television as an advertising vehicle. The *Report* and the broadcast give only *one* side in presenting documented truth about important issues — the side that uses the American Constitution as a yardstick. The *Report* is available by subscription; and the broadcasts are available for commercial sponsorship, anywhere in the United States.

If you think Dan Smoot is providing effective tools for Americans fighting socialism and communism, you can help immensely — by helping him get more customers for his *Report* and broadcasts.

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